



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 29, 2017

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVE THIRD AMENDMENT TO REVOCABLE PERMIT NO. 15-19 WITH SPACE EXPLORATION TECHNOLOGIES CORP. DBA SPACEX

SUMMARY:

Staff requests approval of the Third Amendment to Revocable Permit No. 15-19 (RP 15-19) with Space Exploration Technologies Corp. dba SpaceX (SpaceX) to increase permit premises by approximately 34,643 square feet (s.f.) of land and water areas and allow the berthing of a 204' long vessel. The additional land area will also allow SpaceX to remove equipment from the tops of their sea vans and store them on the additional area, away from public view. The Third Amendment to RP 15-19 increases City of Los Angeles Harbor Department (Harbor Department) revenue by \$45,205.04 per year to \$337,149.80, a 15.48 percent increase over its current annual rent of \$291,944.76.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the proposed action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article III Class 1(14) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Approve the Third Amendment to Revocable Permit No. 15-19 with Space Exploration Technologies Corp.;
3. Authorize the Executive Director to execute and the Board Secretary to attest to the Third Amendment to Revocable Permit No. 15-19;
4. Adopt Resolution No. _____.

SUBJECT: THIRD AMENDMENT - REVOCABLE PERMIT NO. 15-19 WITH SPACEX

DISCUSSION:

Background: On January 7, 2016, the Board approved RP 15-19 to SpaceX for the use of 35,000 s.f. of land and 77,000 s.f. of water at Berths 51 and 52 along Miner Street in San Pedro. RP 15-19 allowed for: berthing rights for the Marmac landing barge and auxiliary vessels; construction of landside improvements including the installation of rocket support pedestals on a concrete pad; and installation of temporary perimeter fencing, an office trailer, a guard shack and portable restrooms. SpaceX's premises are utilized to berth vessels that recover expended rockets and capsules from over 100 miles offshore and return the respective equipment for land based transportation to various locations.

In response to the Board's concern regarding insurance limits and coverage under self-insurance, the First Amendment to RP 15-19 increased insurance requirements to provide superior insurance coverage, thereby reducing the Harbor Department's financial risk exposure arising from SpaceX's operations.

The Second Amendment to RP 15-19 increased permit premises primarily at Berth 53 and adjusted compensation correspondingly. The additional areas provided SpaceX with access to a wider area such that it can conduct its operations more safely and efficiently, and also reduce the length of time that Miner Street is shut down, thereby lessening the impact of SpaceX operations on neighboring tenants. A provision was also added to allow the Harbor Department to be reimbursed for expenses incurred as a result of the Tenant's operations such as Port Police fees (escort, street closures, etc.); Construction & Maintenance costs (placement of k-rails, plumbing and electrical services, etc.); Engineering fees (inspection fees, etc.); rental fees for use of additional areas (staging for media, parking, etc.); and other related costs.

SpaceX has conducted five rocket and capsule recoveries since 2016. On November 15, 2017, SpaceX submitted an application for additional premises in order to accommodate the M/V Mr. Steven, a 205-foot long vessel dedicated to recovering the fairing portion of rockets which protect the spacecraft and reduce drag during flight.

No additional hazardous materials will be brought to the Port. The extended area will allow a better layout for its operations and allow SpaceX to remove equipment on top of their sea vans as much as possible, and better contain their equipment behind the perimeter fencing, away from public view.

The proposed Third Amendment (Transmittal 1) to RP 15-19 modifies the permit premises by adding a 9,143 s.f. land parcel and a 25,500 s.f. submerged land parcel on the south side of its current premises (Transmittal 2), and modifying the compensation accordingly, from \$24,328.73 to \$28,095.82 a month. In anticipation of the vessel's arrival in mid to late December 2018, SpaceX would like to take possession of the additional premises by December 15, 2017.

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ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of the Third Amendment to the RP 15-19 with SpaceX, which is an activity involving the issuance of a permit to use an existing facility involving negligible or no expansion of use. As such, the Director of Environmental Management has determined that the proposed action is categorically exempt from the requirements of CEQA in accordance with Article III Class 1(14) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Based on a target 10 percent rate of return on the 2017 estimated land values of \$29 per s.f. for the Berths 51-53 area and \$7.33 per s.f. for water, the total compensation for the entire permit premises meets the target rate of return.

The Third Amendment to RP 15-19 increases Harbor Department revenue by \$45,205.04 per year to \$337,149.80, a 15.48 percent increase over its current annual rent of \$291,944.76.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Third Amendment as to form and legality.

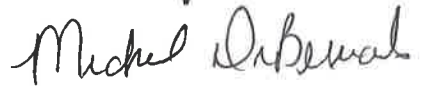
TRANSMITTALS:

- 1. Third Amendment
- 2. Site Map



MICHAEL J. GALVIN
Director of Waterfront & Commercial Real Estate

FIS Approval:  (initials)
CA Approval:  (initials)


MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA
Executive Director